



Modern Corporate Finance|MS4210



CG POWER AND INDUSTRIAL SOLUTIONS LIMITED | ANALYSIS PROJECT REPORT

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BE22B033

Introduction:

About the company: CG is an engineering conglomerate with a diverse range of products and services in the Power and Industrial equipment and solutions sector.

The business is divided into three major parts:

1. Industrial

2. Power

3. Railways

CG's Industrial Systems is a global leader in power conversion equipment, specializing in high and low-voltage rotating machines, stampings, and railway products, with a strong presence in India and abroad. This is the largest business of CG.

CG's Power Business encompasses various components such as transformers, switchgear, circuit breakers, and network protection. It handles turnkey projects, including renewable energy solutions, and operates globally

across multiple countries.

CG's Railway Business plays a significant role in the rolling stock equipment for electric locomotives. It encompasses product lines such as traction machines, electrification solutions, and railway signalling. Their strength lies in end-to-end product design, development, and commissioning for Indian Railways.

Objective:

To analyse various financial ratios to evaluate the company's growth and performance so far.

Data:

1. Cash Flow statement:

CASH FLOW OF CG POWER AND INDUSTRIAL SOLUTIONS (in Rs. Cr.)	Mar'23	Mar'22	Mar'21	Mar'20
NET PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAX	983.07	741.61	823.58	-1,547.79
Net Cashflow From Operating Activities	890.41	451.56	-334.85	635.34
Net Cash Used In Investing Activities	7.27	189.79	-4.41	-141.73
Net Cash Used From Financing Activities	-584.79	-675.31	595.50	-496.71
NET INC/DEC IN CASH AND CASH EQUIVALENTS	312.89	-33.96	256.24	-3.10
Cash And Cash Equivalents Begin of Year	320.66	357.18	100.94	104.04
Cash And Cash Equivalents End Of Year	633.55	323.22	357.18	100.94

2. Balance Sheet:

	Mar'23	Mar'22	Mar'21	Mar'20
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	305.43	288.37	267.60	125.35
Total Share Capital	305.43	288.37	267.60	125.35
Reserves and Surplus	2,124.63	1,530.95	728.73	-442.04
Total Reserves and Surplus	2,124.63	1,530.95	728.73	-442.04

Money Received Against Share Warrants	0.00	0.00	37.50	0.00
Total Shareholders Funds	2,430.06	1,819.32	1,033.83	-316.69
NON-CURRENT LIABILITIES				
Long Term Borrowings	2.87	302.31	812.99	292.89
Deferred Tax Liabilities [Net]	0.00	0.00	0.00	0.00
Other Long Term Liabilities	12.66	18.89	12.77	16.22
Long Term Provisions	42.66	30.15	27.19	33.33
Total Non-Current Liabilities	58.19	351.35	852.95	342.44
CURRENT LIABILITIES				
Short Term Borrowings				
Trade Payables	0.00	0.00	131.64	1,037.93
Other Current Liabilities	1,252.93	1,125.23	998.72	1,189.96
Short Term Provisions	329.63	401.04	713.50	979.61
Total Current Liabilities	147.62	141.41	148.15	116.97
Total Capital And Liabilities	1,730.18	1,667.68	1,992.01	3,324.47
ASSETS	4,218.43	3,838.35	3,878.79	3,350.22
NON-CURRENT ASSETS				
Tangible Assets				
Intangible Assets	745.09	741.30	769.14	843.44
Capital Work-In-Progress	25.74	26.50	31.71	39.17
Intangible Assets Under Development	18.01	16.96	2.43	1.21
Fixed Assets	11.03	7.73	7.82	14.25
Non-Current Investments	799.87	792.49	811.10	898.07
Deferred Tax Assets [Net]	302.76	302.41	303.64	14.75
Long-Term Loans And Advances	434.17	622.69	733.41	867.03
Other Non-Current Assets	0.00	0.00	6.51	6.52
Total Non-Current Assets	20.74	16.89	7.90	38.85
CURRENT ASSETS	1,557.54	1,734.48	1,862.56	1,825.22
Current Investments				
Inventories	0.01	40.62	0.01	0.01
Trade Receivables	490.46	446.77	381.92	272.69
Cash And Cash Equivalents	1,229.72	889.48	521.67	403.06
	654.89	413.27	393.21	140.62

Short-Term Loans And Advances	0.00	0.81	35.10	35.64
Other Current Assets	285.81	312.92	684.32	672.98
Total Current Assets	2,660.89	2,103.87	2,016.23	1,525.00
Total Assets	4,218.43	3,838.35	3,878.79	3,350.22

3. Profit and Loss Statement:

INCOME	Revenue	From				
Operations [Gross]	6,894.60	5,481.53	2,923.86	5,051.32		
Revenue From Operations [Net]	6,894.60	5,481.53	2,923.86	5,051.32		
Other Operating Revenues	77.94	79.87	40.09	58.56		
Total Operating Revenues	6,972.54	5,561.40	2,963.95	5,109.88		
Other Income	67.76	41.71	111.42	48.23		
Total Revenue	7,040.30	5,603.11	3,075.37	5,158.11		
EXPENSES						
Cost Of Materials Consumed	4,585.00	3,818.31	1,969.33	3,069.04		
Purchase Of Stock-In Trade	268.61	164.87	86.12	60.92		
Changes In Inventories Of FG,WIP And Stock-In Trade	2.02	-47.11	-81.18	198.15		
Employee Benefit Expenses	421.70	377.48	371.78	867.13		
Finance Costs	16.20	68.17	197.10	324.05		
Depreciation And Amortisation Expenses	94.50	101.21	138.31	211.48		
Other Expenses	701.89	592.36	510.42	918.22		
Total Expenses	701.89	592.36	510.42	918.22		
Profit/Loss Before Exceptional, Extra Ordinary Items And Tax	6,089.92	5,075.29	3,191.88	5,648.99		
Exceptional Items	950.38	527.82	-116.51	-490.88		
Profit/Loss Before Tax	51.76	507.92	1,543.67	-909.03		
Tax Expenses-Continued Operations	1,002.14	1,035.74	1,427.16	-1,399.91		
Current Tax						
Deferred Tax	13.40	10.39	2.81	2.64		
Total Tax Expenses	192.41	111.93	144.81	-78.45		
Profit/Loss After Tax And Before Extra Ordinary Items	205.81	122.32	147.62	-75.81		
	796.33	913.42	1,279.54	-1,324.10		

Profit/Loss From Continuing Operations	796.33	913.42	1,279.54	-1,324.10
Profit Loss From Discontinuing Operations	169.80	-0.35	0.06	-6.92
Total Tax Expenses Discontinuing Operations	3.16	0.00	0.00	0.12
Net Profit Loss From Discontinuing Operations	166.64	-0.35	0.06	-7.04
Profit/Loss For The Period	962.97	913.07	1,279.60	-1,331.14

PROFITABILITY:

The following criteria can be considered for commenting on profitability:

1. Return on Equity = Net Income / Shareholder's Equity
2. Profit Margin = Net Income / Net Sales Revenue
3. Earnings per share = Net Income / Number of Shares Outstanding

Year	Return on Equity	Net Profit Margin (%)	Earnings Per Share (Rs)
2019-20	0.00 -1,529.16 90.89	-26.05 43.17 16.41 13.81	-23.61 7.94 4.62 5.18
2020-21	53.76		
2021-22			
2022-23			

Inferences: Return on Equity (ROE): The total income of the company has increased from 2019-20 to 2022-23 but his metric decreased significantly from 2019-20 to 2020-21, indicating a significant loss and, there was a considerable improvement in 2021-22 and 2022-23. ROE is showing volatility raising questions on consistent performance. Net Profit Margin (%): The company experienced a significant turnaround in the year 2020-21 with a net profit margin of 43.17% after incurring a loss in the previous year. However, this margin has decreased in the subsequent years, settling at 13.81% in 2022-23. Earnings Per Share (Rs): After the company suffered a loss per share of -23.61 in 2019-20, it managed to achieve positive earnings per share in the following years. But the EPS has not increased since then indicating a potential slowdown in earnings.

LIQUIDITY:

The following criteria are considered for commenting on liquidity:

1. Earning Retention Ratio = (Net Income– Dividends Distributed) / Net Income

2. Cash Ratio= Cash and equivalents / Current Liabilities

3. Days Cash = Cash * 365 / Cash Expenses

4. Current Ratio = Current Assets / Current Liabilities

5. Acid-test (quick) ratio = Monetary current assets / Current Liabilities

Year	Earning Retention Ratio	Days Cash	Cash Ratio	Current Ratio	Acid-test (quick) ratio
2019-20	0.00	15	0.0309	0.37	0.30
2020-21	0.00	54	0.187	0.87	0.56
2021-22	0.00	32	0.202	1.26	0.68
2022-23	76.21	42	0.242	1.54	0.94

Inferences:

Earnings Retention Strategy: The consistent Earnings Retention Ratio of 0.00 indicates the company has not retained any earnings during this period which raises questions about the company's strategic decisions regarding dividend distribution versus reinvestment in the business.

Days Cash: The increase in days cash indicates that the company's liquidity has increased over the period, but it may also indicate a slower cash-conversion cycle, which indicates inefficiency.

Cash Ratio: Consistently increasing cash ratio indicates an increase in companies ability to convert short-liabilities with available cash and so reduced liabilities.

Quick Ratio: A consistent increase in the quick ratio indicates a positive trend in reducing company's liabilities.

CAPITALISATION:

The following criteria are used for commenting on capitalisation:

1. Debt / Equity ratio = Total liabilities / Shareholder's equity

2. Price / Earning ratio = Market Price per Share / Net Income per Share

3. DSCR = Operating Profit / Debt Service Principle + Debt Service Investment

Year 2019-	D/E ratio	P/E ratio 11.85/ -23.61 =	DSCR
20** 2020-	— 0.79	-0.50 44.65/ 7.94 = 5.62	NA
21 2021-22	0.17 0.00	194.55/ 4.62 = 42.11 270.30/	5.49
2022-23		5.18 = 52.18	10.99
			47.46

#All market prices were taken on 31st March of that year. ** Since there was no significant borrowings / debt in FY 2019-20 D/E Ratio: The reduced D/E ratio from 2020-21 to 2022-23 indicates that the company has successfully reduced its debt which is a positive thing, but the company should be careful in dividing its resources. P/E Ratio: The consistent increase in P/E ratio indicates that the market value of the company has increased more compared to its growth. This is a positive indicator, but it also puts pressure on the company's performance. DSCR: A DSCR greater than one indicates that the company is in a comfortable position to pay off the debt.

ASSET UTILISATION / EFFICIENCY:

The following criteria are used for commenting on efficiency:

1. Total Asset Turnover ratio: Net Sales / Average total assets
2. Fixed Assets Turnover ratio: Sales revenues / Fixed assets
3. Inventory Turnover ratio: Cost of goods sold / Average inventory

Year	TATR (%)	FAT	ITR
2019-20	0.46 0.59	R 3.5	2.66
2020-21	1.25 1.56	3.1	5.35
2021-22		6.5	9.01
2022-23		8.2	9.93

Inferences:

TATR: TATR has shown a consistent upward trend in the given period. This indicates company's efficient policy towards using its resources and increased net sales.

FATR: The increasing trend shows that the company is efficiently using its fixed assets such as machinery etc. to increase revenue.

ITR: A significant increase in ITR indicates that the company is efficiently utilising its inventory and reducing its holding cost. It can be seen from the data that average inventory has increased over the years which indicates a significant increase in cost of goods sold.

DIVIDEND POLICY:

The following criteria are used for commenting on dividend policy:

1. Dividend Yield = Dividend per share / Market price per share

2. Dividend Payout Ratio = Dividend Paid / Net Income

Year	Dividend Yield(%) - - -	Dividend Payout Ratio 0.00
2019-20	75	0.00 0.00 23.79
2020-21		
2021-22		
2022-23		

Inferences:

The company has not given out any dividends in from years 2019-20 to 2022-23 which raises questions about company's dividend policy and also indicates company's conservative policy. In year 2022-23 the company changed its policy back to distributing dividends which indicates that company wants to strike a balance between rewarding shareholders and retaining funds for growth.